



EAST BATON ROUGE REDEVELOPMENT AUTHORITY

FINANCIAL REPORT

DECEMBER 31, 2013



A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board Members
East Baton Rouge Redevelopment Authority
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the East Baton Rouge Redevelopment Authority (the Authority) as of and for the year then ended, December 31, 2013 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the East Baton Rouge Community Development Entity, LLC (the CDE), which represent 24 percent, 24 percent, and 72 percent, respectively, of the assets, the net position, and the revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the CDE, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the East Baton Rouge Redevelopment Authority as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 32 through 34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Baton Rouge Redevelopment Authority's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014 on our consideration of the East Baton Rouge Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Baton Rouge Redevelopment Authority's internal control over financial reporting and compliance.

Postlethwaite + Netherville

Baton Rouge, Louisiana
June 6, 2014

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended on December 31, 2013 in comparison to the fiscal year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

- The Authority's total net position at year-end for both its Governmental and Business-Type Activities combined was \$8,432,300.
- The fifth year of operations resulted in a decrease to net position of \$60,944 for both its Governmental and Business-Type Activities combined.
- The Authority's revenues approximately decreased in 2013 from 2012 due to expiration of certain grants and the reduction of fees associated with administering the New Market Tax Credit Program.
- The East Baton Rouge Community Development Entity, LLC (CDE), a blended component unit of the Authority, having the Authority to deploy the New Market Tax Credits, had minimal activity, as previously awarded allocations were exhausted in 2012.
- The Authority's general fund operated at a deficit for the year of \$1,123,579, significantly reducing the fund balance that provides operating reserves.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presented in two separate columns that present different views of the Authority:

- The government-wide financial statements provide both long-term and short-term information about the Authority's overall financial status.
- The fund financial statements focus on individual parts of the Authority government, reporting the Authority's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the Authority's financial statements, including the portion of the Authority's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1
Major Features of Authority's Government-Wide and Fund Financial Statements

	Government-wide Statements	Governmental Fund Financial Statements	Proprietary Fund Financial Statements
Scope	Entire Authority government	The funds of the Authority	The funds of the Authority
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in net position
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments are due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how they have changed. Net position—the difference between the Authority's assets plus deferred outflows less liabilities and deferred inflows—is one way to measure the Authority's financial health.

- Over time, increases or decreases in the Authority's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority you need to consider additional nonfinancial factors such as economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds—not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes. Some funds may be required by state law or by bond covenants.

The Authority currently has seven funds among two broad categories of fund types:

Governmental Fund Types

- General fund - accounts for unrestricted revenue sources and as well as general and operational costs. This fund is considered to be a governmental fund type, meaning the cost of its activities are funded through public sources such as taxes, grants, and management fees from the CDE.
- MFA, Gustav/Ike Funds, NSP, and the MHCI fund - all of which are considered to be special revenue funds, and account for the receipt and expenditure of grant programs funds which are restricted for certain programs or projects.

Proprietary Fund Types

- Land Acquisition Program fund - an enterprise fund which accounts for all of the activity of acquiring property and placing that property into viable developments. This fund is considered to be a proprietary fund type, meaning, the cost of its activities are funded through self-generated fee-for service revenues.
- Community Development Entity, LLC - an enterprise fund which accounts for all the activity of the CDE, a blended component of the Authority. This fund is also considered to be a proprietary fund type.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net position. The Authority's net position at December 31, 2013 and 2012 is set forth below:

	Condensed Statement of Net Position (in thousands)			
	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Current and other assets	\$ 3,636	\$ 4,624	\$ 625	\$ 208
Property acquisition costs	-	-	2,897	2,831
Loans Receivable	1,243	1,290	-	-
Capital Assets	81	113	-	-
Total Assets	4,960	6,027	3,522	3,039
Deferred outflows	-	-	-	-
Current liabilities	34	572	16	1
Internal balances	749	897	(749)	(897)
Total liabilities	783	1,469	(733)	(896)
Deferred inflows	-	-	-	-
Net Position				
Net investment in capital assets	81	113	-	-
Restricted	2,605	1,779	4,242	3,935
Unrestricted	\$ 1,491	\$ 2,666	\$ 13	\$ -
	4,177	4,558	4,255	3,935

As indicated in the table above, the assets of the Authority's Governmental Activities consist of cash, loans receivable, and capital assets. While the loans and capital assets offer longer-term value to the Authority, they do not provide a source of liquidity. The Business-Type Activities' assets include land banking inventory and tax sale certificates which, when transferred or sold, can and must be recycled into programmatic activities. The internal balances stem from the payment of fees associated with the issuance of New Market Tax Credits and represent unearned revenue to the governmental activities and prepaid costs to the business-type activities.

Net position of the Authority is a result of the accumulation of revenues in excess of expenses since 2009, its first year of operations. The unrestricted portion of the net position represents amounts available to meet future obligations of the Authority.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net position. The Authority's revenues totaled approximately \$2,668,000 for its Governmental Activities for 2013 compared to \$8,944,000 for 2012. The substantial decrease in revenues is attributable to reductions in grants revenue and tax credit fees. The Authority's expenses for its Governmental Activities totaled approximately \$2,289,000 for 2013 and \$3,999,000 for 2012. The decrease in expenses is attributable to a lesser level of sub-grants awarded for GAP financing and Affordable Rental Loan programs undertaken in 2013. These expenses are comprised primarily of salaries and benefits, legal fees, and sub-grants associated with the GAP Loan and Affordable Rental Loan Programs. The Business-Type Activities' revenues decreased by approximately \$2,869,000 and the expenses decreased by approximately \$1,721,000. Both decreases are directly attributable to a reduction in the level of New Market Tax Credits awarded.

A reduction in net position of \$381,592 for governmental activities and an increase in net position \$320,648 for Business-Type Activities is reflective of a break-even year economically for both activities combined.

Condensed Statement of Revenues and Expenses
(in thousands)

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Revenues				
Grants and contributions	2,408	6,177	433	-
New Markets Tax Credit fees	147	2,706	65	3,349
Transfers of property (inventory)	-	-	-	8
Other income	113	61	53	63
Total revenue	2,668	8,944	551	3,420
Expenses				
Payroll and benefits	1,059	1,087	-	-
Asset management and structuring fees	-	-	147	2,706
Legal and professional	82	379	16	-
Grants to other entities	764	2,425	-	-
Facilities, supplies and other	384	109	828	6
	2,289	4,000	991	2,712
Transfers in (out)	(760)	(2,468)	760	2,468
Change in net position	(381)	2,476	320	3,176
Net Position, January 1, 2013	4,558	2,082	3,935	759
Net Position, December 31, 2013	4,177	4,558	4,255	3,935

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS AND BUDGETARY HIGHLIGHTS

Governmental Funds

Fund balances represent the net available resources for spending and general fund balances often serve as a government's reserve. As the Authority completed 2013, its general fund reported a fund balance of \$1,542,423, approximately 113% of its 2013 general fund expenditures. This level of fund balance, while adequate for more established governmental entities with a stable and recurring revenue source, is marginally adequate for the Authority, given that the Authority will draw upon this reserve for 2014 operations because of anticipated shortages of revenue. The general fund ended 2013 with an operating loss of \$1,123,579 which depleted the fund balance of \$2,666,002 from December 31, 2012. Revenues of the fund decreased during 2013 when compared to 2012 due to decreased fees generated through the issuance of New Market Tax Credits.

The major governmental fund's operating results compared to budget are presented on pages 32-34. Although variances exist between actual and budgeted amounts, the budgetary comparison schedules show the Authority operated within its available means.

Enterprise Funds

The Enterprise Funds of the Authority (also reported as Business-Type Activities) began activity in 2010. These funds account for the land acquisition program and the East Baton Rouge Community Development Entity, LLC (CDE), the entity through which tax credits are issued for eligible projects. The Land Acquisition Program Fund acquired approximately 11 separate parcels of property during 2013 and disposed of 105 parcels through acts of donation to non-profit organizations. The CDE conducted minimal business during 2013 since its previously allocated tax credits were entirely issued in previous years. In 2012, the CDE issued \$36,900,000 of tax credits and received fees of approximately \$3,349,000 in conjunction therewith. This fee was then used to pay the costs of issuance and compliance monitoring, including fees paid to the Authority's general fund in accordance with the management agreement between the Authority and the CDE.

CAPITAL ASSETS

At the end of 2013 and 2012, the Authority had invested approximately \$81,000 and \$113,000, respectively, in capital assets consisting primarily of office furniture and equipment, customized land surveying software and land development costs.

Authority's Capital Assets
(net of accumulated depreciation)

	<u>2013</u>	<u>2012</u>
Custom software	\$ 12,180	\$ 60,899
Office furniture & equipment	<u>68,932</u>	<u>52,598</u>
Total	<u>\$ 81,112</u>	<u>\$ 113,497</u>

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

After operating in a start-up phase for several years, the Authority more fully evolved into its mission in 2012 and 2013 with the issuance of tax credits that funded several major developments, and through execution of other programs such as gap financing loans for housing, community projects, and land banking activities. However, the Authority now finds itself in a position of needing to find more stable and long-term sources of revenue to fund operating costs. Programs and projects will move forward through a variety of secured funding sources, including intergovernmental grants and self-generating revenues, but these funds are unavailable for general operations. The Authority's general fund has budgeted for an operating deficit of approximately 1.1 million for 2014 and a fund balance at the end of 2014 of approximately \$500,000.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, and grantors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Walter Monsour, 801 North Boulevard, Suite 200, Baton Rouge, LA 70802.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,599,106	\$ 606,391	\$ 4,205,497
Due from governments	26,958	12,220	39,178
Land acquisition cost (inventory)	-	2,393,158	2,393,158
Tax sale certificates	-	504,267	504,267
Prepaid expenses	7,017	-	7,017
Capital assets, net of depreciation	81,112	-	81,112
Investment in limited liability company	-	5,960	5,960
Loans receivable (net of allowance)	1,243,278	-	1,243,278
Other assets	3,000	-	3,000
Total assets	<u>4,960,471</u>	<u>3,521,996</u>	<u>8,482,467</u>
<u>DEFERRED OUTFLOWS</u>			
	-	-	-
<u>LIABILITIES</u>			
Accrued expenses and accounts payable	34,202	15,965	50,167
Internal balances	749,361	(749,361)	-
Total liabilities	<u>783,563</u>	<u>(733,396)</u>	<u>50,167</u>
<u>DEFERRED INFLOWS</u>			
	-	-	-
<u>NET POSITION</u>			
Net investment in capital assets	81,112	-	81,112
Restricted	2,604,882	4,242,520	6,847,402
Unrestricted	1,490,914	12,872	1,503,786
Total net position	<u>\$ 4,176,908</u>	<u>\$ 4,255,392</u>	<u>\$ 8,432,300</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>FUNCTION/PROGRAMS</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
Community development	\$ 2,289,346	\$ 147,144	\$ 2,407,622	\$ 265,420	\$ -	\$ 265,420
Total governmental activities	<u>2,289,346</u>	<u>147,144</u>	<u>2,407,622</u>	<u>265,420</u>	<u>-</u>	<u>265,420</u>
Business-Type activities:						
Real estate acquisition and Land banking	843,616	-	433,303	-	(410,313)	(410,313)
Community Development Entity, LLC	147,412	64,781	-	-	(82,631)	(82,631)
Total business-type activities	<u>991,028</u>	<u>64,781</u>	<u>433,303</u>	<u>-</u>	<u>(492,944)</u>	<u>(492,944)</u>
Total primary government	<u>\$ 3,280,374</u>	<u>\$ 211,925</u>	<u>\$ 2,840,925</u>	<u>265,420</u>	<u>(492,944)</u>	<u>(227,524)</u>
General revenues:						
Interest income				61,049	178	61,227
Other income				52,231	53,122	105,353
Transfers (to) from other funds				(760,292)	760,292	-
Total general revenues and transfers				<u>(647,012)</u>	<u>813,592</u>	<u>166,580</u>
Change in net position				(381,592)	320,648	(60,944)
Net Position - beginning of year				<u>4,558,500</u>	<u>3,934,744</u>	<u>8,493,244</u>
Net Position - end of year				<u>\$ 4,176,908</u>	<u>\$ 4,255,392</u>	<u>\$ 8,432,300</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>Major Funds</u>			<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>MFA Fund</u>	<u>Gustav/ Ike Fund</u>		
<u>ASSETS</u>					
Assets:					
Cash and cash equivalents	\$ 2,291,774	\$ 1,206,029	\$ -	\$ 101,303	\$ 3,599,106
Due from governments	-	3,638	23,320	-	26,958
Due from other funds	23,320	-	-	-	23,320
Prepaid expenditures	7,017	-	-	-	7,017
Other assets	3,000	-	-	-	3,000
Total assets	<u>2,325,111</u>	<u>1,209,667</u>	<u>23,320</u>	<u>101,303</u>	<u>3,659,401</u>
Total assets	<u>2,325,111</u>	<u>1,209,667</u>	<u>23,320</u>	<u>101,303</u>	<u>3,659,401</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accrued expenses and accounts payable	33,327	875	-	-	34,202
Due to other funds	-	-	23,320	-	23,320
Unearned revenue	749,361	-	-	-	749,361
Total liabilities	<u>782,688</u>	<u>875</u>	<u>23,320</u>	<u>-</u>	<u>806,883</u>
Fund Balance:					
Nonspendable					
Prepaid expenditures	7,017	-	-	-	7,017
Restricted	51,509	1,208,792	-	101,303	1,361,604
Unassigned	1,483,897	-	-	-	1,483,897
Total Fund Balances	<u>1,542,423</u>	<u>1,208,792</u>	<u>-</u>	<u>101,303</u>	<u>2,852,518</u>
Total Liabilities and Fund Balance	<u>\$ 2,325,111</u>	<u>\$ 1,209,667</u>	<u>\$ 23,320</u>	<u>\$ 101,303</u>	<u>\$ 3,659,401</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Fund balance - all governmental funds		\$ 2,852,518
Amounts reported for governmental activities in the statement of net position are different because:		
Loans receivable (net of allowance)		1,243,278
Capital assets used in governmental activities are not financial resources and, therefore, are not reported, in the governmental funds		
Governmental capital assets	192,024	
Less accumulated depreciation	<u>(110,912)</u>	<u>81,112</u>
Net position of governmental activities		<u>\$ 4,176,908</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Major Funds</u>			<u>Aggregate Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>MFA Fund</u>	<u>Gustav/ Ike Fund</u>		
<u>REVENUES</u>					
Intergovernmental revenue	\$ -	\$ 1,414,000	\$ 837,357	\$ 156,265	\$ 2,407,622
New markets tax credit fees:					
Asset management fees	147,144	-	-	-	147,144
Structuring fees	-	-	-	-	-
Interest income	-	61,049	-	-	61,049
Application fees	-	300	-	-	300
Other income	1,872	50,059	-	-	51,931
Total revenues	<u>149,016</u>	<u>1,525,408</u>	<u>837,357</u>	<u>156,265</u>	<u>2,668,046</u>
<u>EXPENDITURES</u>					
Current:					
Salaries and benefits	1,023,675	-	35,835	-	1,059,510
Rent and utilities	39,477	-	8,415	-	47,892
Travel and meetings	9,158	-	-	108	9,266
Supplies and other operating	52,618	3,002	4,483	1,589	61,692
Legal and professional	56,239	-	25,787	-	82,026
Small business façade improvement grants	-	60,000	120,000	-	180,000
Affordable rental program loans and grants	-	-	584,100	-	584,100
Land acquisition	1,554	-	-	-	1,554
CDE management	162,272	-	-	-	162,272
Capital outlay/equipment	22,090	-	-	-	22,090
Total expenditures	<u>1,367,083</u>	<u>63,002</u>	<u>778,620</u>	<u>1,697</u>	<u>2,210,402</u>
Excess of revenues over expenditures	<u>(1,218,067)</u>	<u>1,462,406</u>	<u>58,737</u>	<u>154,568</u>	<u>457,644</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	94,488	-	-	-	94,488
Transfers out	-	(742,778)	(58,737)	(53,265)	(854,780)
Total other financing sources and uses	<u>94,488</u>	<u>(742,778)</u>	<u>(58,737)</u>	<u>(53,265)</u>	<u>(760,292)</u>
Net change in fund balance	<u>(1,123,579)</u>	<u>719,628</u>	<u>-</u>	<u>101,303</u>	<u>(302,648)</u>
Fund balance, beginning of the year	<u>2,666,002</u>	<u>489,164</u>	<u>-</u>	<u>-</u>	<u>3,155,166</u>
Fund balance, end of year	<u>\$ 1,542,423</u>	<u>\$ 1,208,792</u>	<u>\$ -</u>	<u>\$ 101,303</u>	<u>\$ 2,852,518</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balance - all governmental funds		\$ (302,648)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report loans receivable as expenditures. However, in the statement of activities the cost of these assets is reported as an asset		584,100
Governmental funds do not report a provision for loan losses		(584,100)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capitalized expenditures	2,933	
Depreciation expense	<u>(35,318)</u>	(32,385)
The net effect of various transactions involving capital assets and loans receivable such as sales, disposals, or principal repayment is a decrease to net position		<u>(46,559)</u>
Change in net position of governmental activities		<u>\$ (381,592)</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Enterprise Funds		Total
	Land Acquisition Program	East Baton Rouge Community Development Entity, LLC	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 352,509	\$ 253,882	\$ 606,391
Accounts receivable	-	12,220	12,220
Land acquisition cost (inventory)	2,393,158	-	2,393,158
Tax sale certificates	504,267	-	504,267
Prepaid expense	-	749,361	749,361
Total current assets	<u>3,249,934</u>	<u>1,015,463</u>	<u>4,265,397</u>
Non - Current Assets:			
Investment in limited liability company	-	5,960	5,960
Total non-current assets	<u>-</u>	<u>5,960</u>	<u>5,960</u>
Total assets	<u>3,249,934</u>	<u>1,021,423</u>	<u>4,271,357</u>
DEFERRED OUTFLOWS			
	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	15,965	-	15,965
Total liabilities	<u>15,965</u>	<u>-</u>	<u>15,965</u>
DEFERRED INFLOWS			
	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted:			
Community Development Block Grants	2,393,158	-	2,393,158
East Baton Rouge Mortgage Finance Authority Grants	651,670	-	651,670
Ardendale development grant cooperative endeavor	176,269	-	176,269
Community Development Entity	-	1,021,423	1,021,423
Unrestricted	<u>12,872</u>	<u>-</u>	<u>12,872</u>
Total Net Position	<u>\$ 3,233,969</u>	<u>\$ 1,021,423</u>	<u>\$ 4,255,392</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds		Total
	Land Acquisition Program	East Baton Rouge Community Development Entity, LLC	
REVENUES			
Transfers of property inventory	\$ -	\$ -	\$ -
Fee income - tax credit programs	-	-	-
Intergovernmental revenue	433,303	-	433,303
Asset management fee income	-	64,781	64,781
Other income	53,122	-	53,122
Interest income	-	99	99
Total revenues	<u>486,425</u>	<u>64,880</u>	<u>551,305</u>
EXPENSES			
Cost of property inventory sold/transferred	820,967	-	820,967
Professional & legal services	15,606	-	15,606
Asset management fee	-	147,144	147,144
Supplies and other operating	1,863	268	2,131
Travel and meetings	5,180	-	5,180
Total expenses	<u>843,616</u>	<u>147,412</u>	<u>991,028</u>
Operating income (loss)	(357,191)	(82,532)	(439,723)
Non - Operating Income			
Income from investment in limited liabilities companies	-	79	79
Income/loss before contributions & transfers	(357,191)	(82,453)	(439,644)
Transfers in	<u>760,292</u>	<u>-</u>	<u>760,292</u>
Change in net position	403,101	(82,453)	320,648
Total Net Position - January 1	<u>2,830,868</u>	<u>1,103,876</u>	<u>3,934,744</u>
Total Net Position - December 31	<u>\$ 3,233,969</u>	<u>\$ 1,021,423</u>	<u>\$ 4,255,392</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Land Acquisition Program</u>	<u>East Baton Rouge Community Development Entity, LLC</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Proceeds from transfers of property	\$ -	\$ -	\$ -
Tax credit program fees	-	64,993	64,993
Payments for professional and legal services	(556)	-	(556)
Acquisition of land	(755,325)	-	(755,325)
Other operating payments	(7,043)	-	(7,043)
Other operating income	486,425	-	486,425
Net cash (used in) provided by operating activities	<u>(276,499)</u>	<u>64,993</u>	<u>(211,506)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Distributions received from limited liability companies	-	54	54
Net cash provided by for investing activities	<u>-</u>	<u>54</u>	<u>54</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	629,008	-	629,008
Net increase in cash and cash equivalents	352,509	65,047	417,556
Cash and cash equivalents, January 1	-	188,835	188,835
Cash and cash equivalents, December 31	<u>352,509</u>	<u>\$ 253,882</u>	<u>\$ 606,391</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (357,191)	\$ (82,532)	\$ (439,723)
Adjustments to reconcile operating income to net cash used for operating activities:			
Decrease in accounts receivable	-	381	381
Decrease in inventory	65,642	-	65,642
Decrease in accounts receivable and prepaid assets	-	147,144	147,144
Increase (decrease) in liabilities	15,050	-	15,050
Net cash (used in) provided by operating activities	<u>\$ (276,499)</u>	<u>\$ 64,993</u>	<u>\$ (211,506)</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The East Baton Rouge Redevelopment Authority (the Authority or RDA) was created through a series of Acts of the 2007 and 2009 Louisiana Legislative sessions. It is governed by a five-member Board of Commissioners appointed by the Mayor-President of East Baton Rouge Parish, the Baton Rouge Area Foundation, and Baton Rouge Area Chamber. The Authority's goals are to transform the quality of life for all citizens; foster redevelopment in disinvested areas; facilitate partnerships; create a vibrant, competitive community; and preserve and enhance a sense of place.

The Authority accomplishes these goals through funding obtained through various avenues including cooperative endeavors, grants, public-private partnerships, joint ventures, and equity participation structures with nonprofit organizations and private enterprise. Programs of the Authority include Small Business Façade, Gap Financing, Affordable Rental Housing, Land Banking and the Tax Sale Certificate Purchase Program. These programs are also funded from the issuance of new market tax credits issued through the East Baton Rouge Community Development Entity.

The accounting and reporting practices of the East Baton Rouge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental entities.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14, as amended by Statement 61, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Although the Authority is a legally separate entity possessing the right to levy taxes, approve its own budget and issue debt, under provisions of this Statement, the Authority is considered a *component unit* of the City-Parish government of East Baton Rouge (City-Parish), the *primary government*, since a level of control is maintained by the City-Parish through appointment of a majority of the Authority's Board and through fiscal interdependency. As a component unit, the Authority's financial statements are discretely presented in the City-Parish's financial statements.

The Authority itself also has a *component unit*, the East Baton Rouge Community Development Entity, LLC (the CDE). The Authority owns a forty-nine percent membership interest in the CDE and three of the five members of the CDE's board of directors are also members of the Authority's board of directors. Additionally, it has been determined that a financial benefit/lender relationship exists. Accordingly, the CDE's financial statements are presented in the financial statements of the Authority as a blended component unit.

The Authority receives a significant amount of funding from the East Baton Rouge Mortgage Finance Authority (EBRMFA), which is considered to be a *related organization* to the City-Parish as defined by GASB Statement 14, as amended through Statement 61, due to the City-Parish appointing a majority of its Board of Directors. No presentation is required of the EBRMFA within these financial statements.

Basis of Presentation, Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. GASB is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation, Basis of Accounting (continued)

The Authority's basic financial statements consist of the government-wide statements on all of the primary government and its component units and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. Both the entity-wide financial statements and the proprietary financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

In 2012, the Authority adopted Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Collectively, these statements changed the government-wide and proprietary fund statements of net assets from three elements to five, adding deferred outflows and deferred inflows and renamed it to the statement of net position. Certain items previously reported as assets and liabilities such as loan organization fees and non-exchange revenue for future periods are reclassified to deferred outflows or inflows, or are no longer carried on the statement of net position.

Fund Financial Statements

Governmental Funds:

The governmental fund financial statements (*the Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance*) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to fund current operations. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt which is recognized when due.

The governmental fund financial statements provide information about the Authority's governmental funds. The emphasis of fund financial statements is on the major governmental funds. As of December 31, 2013 the Authority had three major governmental funds as follows:

- General Fund – accounts for the general operations of the Authority that are funded through unrestricted funding sources. The General Fund is always a major fund.
- MFA Fund – accounts for the grant funding obtained from the East Baton Rouge Parish Mortgage Finance Authority.
- Gustav/Ike Fund – accounts for the receipt and expenditure of a federal grant fund from the State Office of Community Development passed through the City-Parish Government of East Baton Rouge.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements (continued)

Proprietary Funds:

Enterprise Funds – Enterprise funds are presented using the economic resources measurement focus and the accrual basis of accounting. They are used to account for operations: (a) that are financed and operated similarly to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in government-wide financial statements and the major funds section of the basic financial statements. The two enterprise funds reported as major funds in the fund financial statements are as follows:

- The Land Acquisition Program Fund accounts for the operation of the Land Acquisition Program in which property is obtained and placed into viable developments.
- The East Baton Rouge Community Development Entity Fund (the CDE), a blended component unit, accounts for the operations of the CDE.

The CDE was formed on February 23, 2009, under the laws of the State of Louisiana. The CDE is a qualified Community Development Entity (CDE) that holds new market tax credits (NMTC) allocation authority to be used for investment in Qualified Active Low Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC). The CDE was granted a seventh round allocation of \$60,000,000 of NMTC authority from the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) under an Allocation Agreement dated October 30, 2009. In general, under Section 45D of the IRC, a qualified investor in a CDE can receive the NMTC to be used to reduce Federal taxes otherwise due in each year of a seven-year period.

Under the CDE's Allocation Agreement with CDFI Fund, Redevelopment Authority Fund I, LLC (Fund I), Redevelopment Authority Fund II, LLC (Fund II), Redevelopment Authority Fund III, LLC (Fund III), Redevelopment Authority Fund IV, LLC (Fund IV), and Redevelopment Authority Fund V, LLC (Fund V) have become approved "Subsidiary Allocatees" of the CDE. The CDE is the managing member of the Subsidiary Allocatees. An Allocation Agreement places restrictions on the CDE's operations, including, but not limited to, a specific geographical area of the low-income communities the CDE must serve. The CDE has been approved to serve low-income communities in East Baton Rouge Parish, Louisiana. As of December 31, 2013, the CDE has allocated \$60,000,000 of its seventh round NMTC authority to Fund I, Fund II, Fund III, Fund IV, and Fund V.

In accordance with the CDE's operating agreement, profits, losses and cash flows (subject to special allocations) are allocated 49% to East Baton Rouge Redevelopment Authority and 51 % to the City of Baton Rouge/Parish of East Baton Rouge.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The accompanying government-wide statements (*the Statement of Net Position and Statement of Activities*) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation or those amounts with third-party payers.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and Equipment	3-15
Computer Software	5-10

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory is recorded at cost and represents cost incurred in the acquisition and maintenance of blighted or adjudicated properties. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Loans Receivable

Loans receivable represent loans advanced for programmatic and development purposes which are evidenced through promissory notes. The notes are carried at their outstanding principal balance less an allowance for amounts estimated to be uncollectible or forgiven. Management determines the estimated loan losses based upon the payment status of the loan, the financial condition of the project, and other economic factors.

Budgets

General Budget Practices. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- State statute requires budgets to be adopted in public session for the general fund and all special revenue funds.
- Prior to the beginning of its fiscal year, the Chief Executive Officer submits to the Board a proposed annual budget for the general fund and special revenue funds. Public hearings are conducted prior to the Authority's approval to obtain comments. The operating budgets include proposed expenditures and the means of financing them.
- Appropriations (unexpended budget balances) lapse at year-end.
- Formal Budget integration (within the accounting records) is employed as a management control device. Budget amounts included in the accompanying financial statements consist of those presented in the original budget adopted by the Board and as amended by the Board.

Encumbrances. Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed.

Budget Basis of Accounting. All governmental funds' budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are originally adopted or amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Board to amend its budget when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more.

Net Position in Government-Wide Financial Statements

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Net Position in Government-Wide Financial Statements (continued)

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Fund Financial Statements

Governmental fund equity is termed as fund balance. Fund balance is categorized to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following categories, as required by GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Management has classified prepaid expenditures as being nonspendable as this item is not expected to be converted to cash.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Authority's board of directors, which is the Authority's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The Authority did not have any committed fund balance as of year-end.

- **Assigned:** This classification includes spendable amounts that are reported in governmental funds that are neither restricted nor committed and that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the Authority's board of directors, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes.

The Authority did not have any assigned fund balance at year-end.

- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies (continued)

Fund Balance - Fund Financial Statements (continued)

When fund balance resources are available for a specific purpose in multiple classifications, the Authority would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

Operating and Non-Operating Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with fund's principal on-going operations. All revenues and expenses not meeting this definition are considered non-operating.

Income Taxes

The CDE has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income, tax returns, if applicable. The CDE's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the CDE is not required to take any tax positions in order to qualify as a pass-through entity. The CDE is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes. For income tax purposes, the CDE reports on a calendar year basis.

Revenue Recognition

Fee income associated with the assignment of NMTC to its Subsidiary Allocatee is recognized when the Subsidiary Allocatee makes a qualified low-income community investment (QLICI) in a QALICB. Fees associated with the issuance and administration of NMTC's are recognized when earned.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2013, are as follows:

Governmental activities:

	Customized Computer Software	Furniture & Equipment	Total
Cost of Capital Assets at December 31, 2012	\$ 60,899	\$ 128,192	\$ 189,091
Additions	-	2,933	2,933
Cost of Capital Assets at December 31, 2013	<u>60,899</u>	<u>131,125</u>	<u>192,024</u>
Accumulated depreciation, at December 31, 2012	(36,539)	(39,055)	(75,594)
Additions	<u>(12,180)</u>	<u>(23,138)</u>	<u>(35,318)</u>
Accumulated depreciation, December 31, 2013	<u>(48,719)</u>	<u>(62,193)</u>	<u>(110,912)</u>
Capital assets, net of accumulated depreciation at December 31, 2013	<u>\$ 12,180</u>	<u>\$ 68,932</u>	<u>\$ 81,112</u>

For the year ended December 31, 2013, depreciation expense was \$35,318 which is reported in the Statement of Activities under the Governmental Activities within the Community Development function.

3. Cash and Cash Equivalents

As a political subdivision of the State of Louisiana, the Authority may deposit funds in state chartered financial institutions or nationally chartered institutions with principal offices maintained within Louisiana. Under Louisiana law, all deposits must be secured against custodial credit risk through either FDIC insurance or the pledge of investment securities owned by the financial institution. Custodial credit risk is the risk that deposits in a financial institution may be unable to be recovered in the event of a bank failure.

The Authority had no exposure to custodial credit risk at December 31, 2013.

4. Commitments

Leases

The Authority entered into a lease agreement effective August 7, 2009 for 2,764 square feet of office space in downtown Baton Rouge, LA. The term of the original lease was thirty months. The Authority renewed this lease effective February 29, 2012 for 3,302 square feet of office space for a term of thirty-six months (March 1, 2012 – February 28, 2015). The Authority will pay \$3,690 per month.

Future rent payments are scheduled to occur as follows during each respective year:

2014	44,280
2015	<u>7,380</u>
	<u>\$ 51,660</u>

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

4. Commitments (continued)

Loans

At December 31, 2013, the Authority was committed to funding certain gap financing and/or rental rehabilitation loans totaling \$1,200,000. Restricted monies within the East Baton Rouge Mortgage Finance Authority (MFA) fund will be used to fund the loans.

5. Future Funding

The Authority has secured funding for future activities from the following sources in the amounts indicated:

	<u>Original Grant Amount</u>	<u>Remaining Grant Amount</u>	<u>Expiration</u>
City-Parish of Baton Rouge/LRA -Disaster Recovery Grant	\$ 6,500,000	\$ 1,306,466	December 31, 2014
East Baton Rouge Mortgage Finance Authority	\$ 4,500,000	\$ 663,535	December 31, 2014

These funding sources are generally restricted to programmatic activities.

6. Compensation of the Board of Commissioners

The five members of the Authority's Board of Commissioners serve without compensation.

7. Related Party Transactions

Asset Management Fee Income - CDE

In accordance with the operating agreements of the Funds managed by the CDE, the CDE earned asset management fees in the amount of \$64,781 for services provided to the Funds. As of December 31, 2013, \$12,208 remains receivable and is included in accounts receivable.

Asset Management and Structuring Fee

The Authority is entitled to receive a fee equal to 15% of tax credits allocation that it awarded for eligible projects per the terms of its contract with the CDE. The fee is intended to compensate the Authority for structuring the project and for ongoing compliance monitoring. This fee is paid to the Authority from the CDE and is accounted for as interfund services provided and used. As such, the fee is reported as revenue to the Authority's general fund and as an expense to the CDE to the extent the fee is earned. The fees consist of both asset management fees and structuring fees. The asset management fees are considered earned over a period of seven years; the compliance period required by the Internal Revenue Code (IRC). Asset Management fees collected but unearned are reported as unearned revenue in the general fund, while fees paid for future compliance services are reported as prepaid expenses by the CDE. Structuring fees are considered to be payments for services rendered and are recognized upon issuance of the tax credits. During the period ended December 31, 2013, asset management and structuring fees recognized as revenue by the Authority from the CDE were \$147,144 and \$-0-, respectively.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

8. Contingency

The CDE's New Market Tax Credits are contingent on the CDE maintaining compliance with applicable sections of 45D of the IRC and its Allocation Agreement with the CDFI Fund. Failure to maintain compliance or to correct noncompliance within a specified time period could result in the CDFI Fund exercising its right to take certain actions against the CDE as provided for in the Allocation Agreement. Failure to maintain compliance or to correct noncompliance within a specified time period could also result in recapture of previously claimed tax credits plus penalties and interest.

9. Gap Financing and Rental Rehabilitation Loans Receivable

In the furtherance of its mission, the Authority issues below-market interest rate loans to developers and other organizations. These loans have repayment terms from 3 to 30 years and certain loans' principal may be forgiven upon satisfactory compliance with the lending agreement. At December 31, 2013 the Authority had eight loans outstanding to borrowers under active lending agreements. These loans are carried as an asset in the Government Activities financial statements at the outstanding principal amount less an allowance for amounts estimated to be uncollectable or forgiven as determined by management. Loans outstanding at December 31, 2013 consist of:

Principal balances outstanding	\$ 4,084,378
Allowance for uncollectable or forgiven	<u>(2,841,100)</u>
	<u>\$ 1,243,278</u>

10. Land Banking Inventory

In furtherance of its mission, the Authority acquires adjudicated properties from the East Baton Rouge Parish government, clears the title of the properties, maintains them, and then transfers the properties to other organizations for development, rehabilitation, or other uses. During the time the properties are held by the Authority, costs to acquire and maintain the properties are carried as inventory on the Land Banking Fund's statement of net position. Those costs are then expensed through costs of property sold upon transfer of the property. Activity of land banking inventory was as follows during 2013:

Beginning balance (115 properties)	\$ 2,831,783
Costs incurred to acquire and maintain	760,292
Transferred properties (105 properties)	<u>1,199,007</u>
Ending balance (21 properties)	<u>\$ 2,393,158</u>

During 2013, 105 properties were transferred to and among four non-profit organizations at a sale price of \$0 through the execution of cooperative endeavor agreements.

11. Tax Sale Certificate Purchase Programs

In 2013, the Authority began a new program whereby tax lien certificates are purchased at tax sale for those properties within East Baton Rouge Parish whose taxes are delinquent and unpaid. The tax certificates convey the right to receive redemption payments of the taxes plus interest and penalties through a period of three years. Property rights convey to the purchaser of the tax certificates if the taxes are not paid after three years. R.S. 3 3:4720.1051 gives the Authority preference to purchase the tax certificate at the minimum bid amount except for a higher bid submitted by a conventional mortgage holder. At December 31, 2013, the Authority owned 18 tax certificates purchased at a cost of \$504,267.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

12. Interfund Balance

Due to/from other funds consists of the following at year-end:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 23,320	\$ -
Gustav/Ike Fund	-	23,320
Totals	<u>\$ 23,320</u>	<u>\$ 23,320</u>

Unearned Revenue to the Authority's general fund which corresponds to the Community Development Entity's prepaid expense consists of the following at year-end:

	<u>Unearned Revenue</u>	<u>Prepaid Expense</u>
General Fund	\$ 749,361	\$ -
Community Development Entity, LLC	-	749,361
	<u>\$ 749,361</u>	<u>\$ 749,361</u>

The unearned revenues and prepaid expenses account for the Asset Management fees paid by the CDE to the Authority for on-going compliance monitoring.

13. Interfund Transfers

Transfers were made from the special revenue funds to the General Fund to cover certain operating costs and to the Land Banking Fund to cover title clearing and maintenance costs of land banking inventory and for the purchase of tax sale certificates.

Interfund transfers for the year ended December 31, 2013 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 94,488	\$ -
MFA Fund	-	742,778
Gustav/Ike Fund	-	58,737
NSP Fund	-	53,265
Land Banking Fund	760,292	-
Totals	<u>\$ 854,780</u>	<u>\$ 854,780</u>

14. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 6, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

15. Current Operating Environment

The Authority's General Fund experienced an operating deficit for 2013 and is budgeted to once again operate at a deficit for 2014, thereby significantly depleting its fund balance. The General Fund accounts for most of the operating costs of the Authority and its fund balance represents operating reserves. These deficits are the result of decreases in revenues of the general fund which have thus far been obtained from temporary sources or non-recurring transactions. Without a more permanent means of financing the Authority's General Fund operations, the Authority will further deplete its fund balance thereby jeopardizing its ability to carry out its programs and fulfill its mission. The Authority's management and Board of Commissioners are working with the City-Parish government and community and business leaders to secure more permanent revenue sources for operations.

REQUIRED SUPPLEMENTARY INFORMATION

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
New markets tax credit fees/ Management Fees	\$ 151,300	\$ 163,300	\$ 147,144	\$ (16,156)
Other income	12,000	14,753	1,872	(12,881)
Total revenues	<u>163,300</u>	<u>178,053</u>	<u>149,016</u>	<u>(29,037)</u>
<u>EXPENDITURES</u>				
Current:				
Salaries and benefits	993,350	1,065,120	1,023,675	\$ 41,445
Rent and utilities	35,100	36,018	39,477	(3,459)
Travel and meetings	15,000	8,182	9,158	(976)
Supplies and other operating expenses	67,400	55,751	52,618	3,133
Legal and professional	69,500	56,061	56,239	(178)
Land acquisition	-	-	1,554	(1,554)
CDE management fees	260,000	171,066	162,272	8,794
Capital outlay - equipment and software costs	21,500	26,273	22,090	4,183
Total expenditures	<u>1,461,850</u>	<u>1,418,471</u>	<u>1,367,083</u>	<u>51,388</u>
Excess (deficiency) of revenues over expenditures	(1,298,550)	(1,240,418)	(1,218,067)	22,351
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from other funds	108,142	111,583	94,488	(17,095)
Transfers to other funds	-	-	-	-
	<u>108,142</u>	<u>111,583</u>	<u>94,488</u>	<u>(17,095)</u>
Net change in fund balance	(1,190,408)	(1,128,835)	(1,123,579)	5,256
Fund balance:				
Beginning of year	2,541,928	2,666,002	2,666,002	-
End of year	<u>\$ 1,351,520</u>	<u>\$ 1,537,167</u>	<u>\$ 1,542,423</u>	<u>\$ 5,256</u>

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
MORTGAGE FINANCE AUTHORITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Intergovernmental revenue	\$ 1,388,000	\$ 1,425,000	\$ 1,414,000	\$ (11,000)
Interest income	-	-	61,049	61,049
Application fees	-	-	300	300
Other income	-	111,584	50,059	(61,525)
Total revenues	<u>1,388,000</u>	<u>1,536,584</u>	<u>1,525,408</u>	<u>(11,176)</u>
<u>EXPENDITURES</u>				
Current:				
Supplies and other operating expenses	-	-	3,002	(3,002)
Affordable rental program loans	1,200,000	700,000	-	700,000
Small Business Façade Grants	30,000	60,000	60,000	-
Total expenditures	<u>1,230,000</u>	<u>760,000</u>	<u>63,002</u>	<u>696,998</u>
Excess of revenues over expenditures	158,000	776,584	1,462,406	685,822
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds	<u>(158,000)</u>	<u>(776,584)</u>	<u>(742,778)</u>	<u>33,806</u>
Net change in fund balance	-	-	719,628	719,628
Fund balance:				
Beginning of year	500,000	500,000	489,164	(10,836)
End of year	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 1,208,792</u>	<u>\$ 708,792</u>

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE
GUSTAV/IKE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Intergovernmental revenue	\$ 1,704,290	\$ 772,153	\$ 837,357	\$ 65,204
Other income	-	-	-	-
Total revenues	<u>1,704,290</u>	<u>772,153</u>	<u>837,357</u>	<u>65,204</u>
<u>EXPENDITURES</u>				
Current:				
Salaries and benefits	123,682	18,495	35,835	(17,340)
Rent and utilities	-	-	8,415	(8,415)
Travel and meetings	-	-	-	-
Supplies and other operating expenses	35,821	8,627	4,483	4,144
Legal and professional	132,945	2,000	25,787	(23,787)
Affordable Rental Program Loans	584,100	584,100	584,100	-
Land acquisition	-	-	-	-
Clearance	-	-	-	-
Small business façade improvement grants	150,000	120,000	120,000	-
Total expenditures	<u>1,026,548</u>	<u>733,222</u>	<u>778,620</u>	<u>(45,398)</u>
Excess of revenues over expenditures	677,742	38,931	58,737	19,806
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to other funds	<u>(677,742)</u>	<u>(38,931)</u>	<u>(58,737)</u>	<u>(19,806)</u>
Net change in fund balance	-	-	-	-
Fund balance:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY FINANCIAL INFORMATION
REQUIRED BY OMB CIRCULAR A-133

EAST BATON ROUGE REDEVELOPMENT AUTHORITY
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Year Ended</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development Community Development Block Grant Program (CDBG)</u>				
Passed through the Louisiana Governor's Office of Community Development and Through the East Baton Rouge City-Parish Government: Community Development Block Grant/ State's Program	14.228	12/31/13	\$ 6,500,000	\$ 3,094,357
Passed through the City-Parish Government of East Baton Rouge Parish Title III, Division B (HERA) - Neighborhood Stabilization	14.218	12/31/13	<u>500,000</u>	<u>53,265</u>
Total U.S. Department of Housing and Urban Development			<u>7,000,000</u>	<u>3,147,622</u>
Total federal awards expended			<u>\$ 7,000,000</u>	<u>\$ 3,147,622</u>

See notes to Schedule of Expenditures of Federal Awards.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the East Baton Rouge Redevelopment Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

(2) NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the year ended December 31, 2013.

(3) RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The expenditures listed in the accompanying schedule are reported in the following funds in the Authority's financial statements. Since revenues are recognized to the extent expenditures are incurred, expenditures are readily identifiable with the revenues reported. These revenues are included within the intergovernmental revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Intergovernmental revenue in the Governmental Fund Statement of Revenues,
Expenditures and Changes in Fund Balance for
the year ended December 31, 2013:

NSP Fund	\$ 53,265
Gustav/Ike Fund	<u>837,357</u>
	890,622
Outstanding balance of loan provided from CDBG grant at December 31, 2012	<u>2,257,000</u>
Total Federal Award Expenditures per schedule	<u>\$ 3,147,622</u>

(4) ASSISTANCE TO SUBRECEIPIENTS

Prior balance of loans to non-profit organizations	\$ 2,257,000
Current year loans and grants disbursed	<u>704,100</u>
	<u>\$ 2,961,000</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board Members
East Baton Rouge Redevelopment Authority
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities the Business Type Activities, each major fund, and the aggregate remaining fund information of the East Baton Rouge Redevelopment Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 6, 2014.

Our report includes a reference to other auditors who audited the financial statements of the Authority, as described in our report on the Authority's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the East Baton Rouge Redevelopment Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Netterville

Baton Rouge, Louisiana
June 6, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board Members
East Baton Rouge Redevelopment Authority
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the East Baton Rouge Redevelopment Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the East Baton Rouge Redevelopment Authority's major federal programs for the year ended December 31, 2013. The East Baton Rouge Redevelopment Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for on the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the East Baton Rouge Redevelopment Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance on the Authority's major federal program. However, our audit does not provide a legal determination of the East Baton Rouge Redevelopment Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the East Baton Rouge Redevelopment Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the East Baton Rouge Redevelopment Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the East Baton Rouge Redevelopment Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Baton Rouge Redevelopment Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Postlethwaite + Netterville

Baton Rouge, Louisiana

June 6, 2014

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I-SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between types A and B programs: \$300,000

Audit qualified as low-risk auditee: Yes No

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II-FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

EAST BATON ROUGE REDEVELOPMENT AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

None noted.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

MANAGEMENT LETTER

None issued.